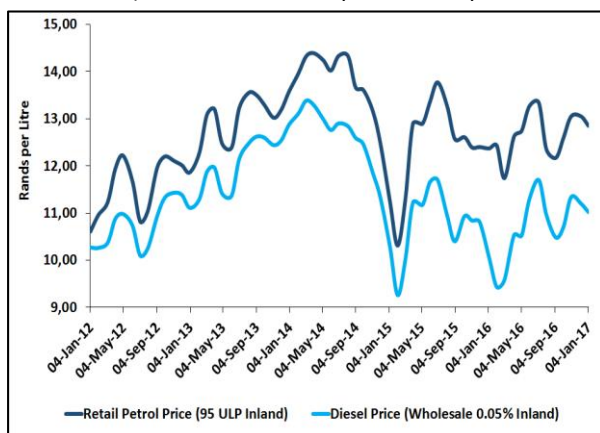


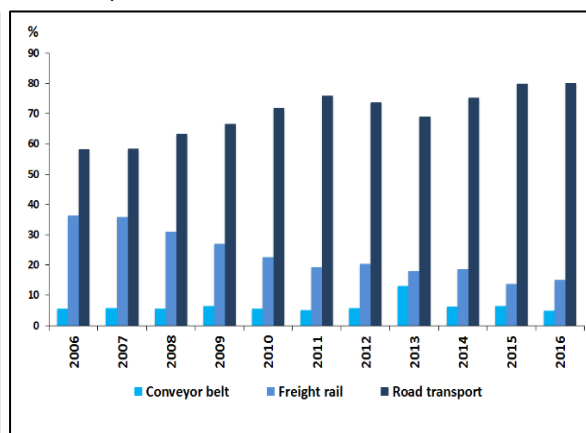
## UPDATE: South African fuel prices set to increase next month – 14 December 2016

- **Preliminary estimates from the Central Energy Fund suggest that petrol (95 ULP Inland) and diesel (0.05% Wholesale Inland) prices could increase by 20 cents per litre (c/l) and 18 c/l, respectively, on 04 January 2017. This could bring the retail price of petrol up to R13.05 per litre from the current level of R12.85 per litre. At the same time, diesel price could reach R11.20 per litre from the current level of R11.02 per litre (see Chart 1).**
- This expected fuel price increase is largely underpinned by the recent uptick in Brent crude oil prices, which have been trading above the US\$50 per barrel mark for the past 10 days. This month, Brent crude oil price averaged US\$54.42 a barrel, up by 15% from November 2016 average price of US\$47.28 a barrel. The support comes after OPEC and non-OPEC members reached an agreement to jointly reduce oil output by 1.8 million barrels per day, effective from 01 January 2017.
- The ZAR/US\$ exchange, which is also a determinant factor of domestic fuel prices, has played a positive role this month. The Rand strengthened by 2% against the US Dollar, averaging at R13.73 - compared to an average of R13.96 in November 2016. However, the ZAR/US\$ exchange gains were offset by the higher Brent crude oil price.
- **Implications** - this expected fuel price increase comes at a time when consumption will be at a relatively lower level for primary agriculture, as crops will be at growing stages. However, the agribusinesses, particularly logistics companies will see an increase in activity due to expected grains and oilseeds imports in the first four months of 2017. One of the major commodities to be imported is maize. The total maize imports currently stand at 1.63 million tonnes, which is 60% of the seasonal import forecast. The balance is set to be imported early next year. About 80% of South Africa's grain is normally transported by road (see Chart 2). Therefore, the expected fuel price increase will add pressure on the food value chain.



**Chart 1: Retail petrol and wholesale diesel prices**

Source: Central Energy Fund, Agbiz Research



**Chart 2: South African grain transport by component**

Source: SAGIS, Agbiz Research

**Wandile Sihlobo** (Tel: +2712 807 6686, Email: [wandile@agbiz.co.za](mailto:wandile@agbiz.co.za))

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